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Ontario. Securities commission
[General publications]
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Publications

Q.S.C. 3-01

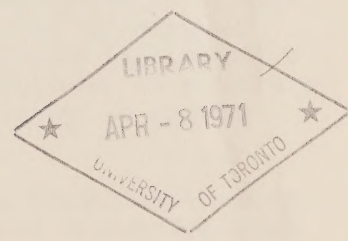
INSTRUCTIONS FOR ANNUAL RE-FILEING OF PROSPECTUSES

The regulations under section 9(1) of the Securities Act, 1967, where the prospectus shall be initially filed in the province of Ontario at an aggregate offering of securities shall be less than a few hundred dollars. The aggregate price paid by the public for the securities shall be certified immediately preceding the filing.

General publications

ONTARIO SECURITIES COMMISSION POLICIES

[6-2]



April 5th, 1971

O.S.C. 3-01

FINANCIAL SERVICES COMPANIES

FEE CALCULATION FOR ANNUAL RE-FILING OF PROSPECTUSES

(1) No shares shall be issued to not less than 100 persons.

The fee exigible under section 3(i) of Ontario Regulation 208/70, where such fee must of necessity be initially based on estimated sales in Ontario at an estimated maximum aggregate offering price shall not be less than a fee calculated on the actual aggregate price paid by Ontario purchasers for the securities sold during the immediately preceding financial year.

(2) The fee shall be payable at least within 10 days of the date of the prospectus.

(3) Such actual figure shall be certified to by one of the officers of the issuer or of the Corporate Manager in the case of an unincorporated issuer who is a signatory to the prospectus. The Certificate must include the total number of securities sold to and the aggregate price paid by Ontario purchasers.

(4) Any such agreement shall not exceed one million shares.

(5) If the shares are underwritten at a price substantially higher than the minimum set out in (1) the Director will consider an application for permission to stipulate terms which differ from (4) if special circumstances exist.

(6) (a) Where there is an established public market price for the shares consideration will be given to that price in determining whether the underwriting option agreement is acceptable.

(b) The time for exercising the first option shall be not later than three months following the date of the receipt issued for the prospectus and each additional

THE CALCULATION FOR ANNUAL RE-FILE OF PROSPECTUSES

The fee existing under section 3(1) of Ontario Regulation 206/10, where such fee must of necessity be initially based on estimated sales in Ontario at an estimated minimum prospectus offering

price shall not be less than a fee calculated on the actual prospectus price paid by Ontario prospectors for the securities sold during the immediately preceding financial year.

Such actual figures shall be certified to by one of the officers of the issuer to be used in the calculation of the fee to be paid by the issuer when the prospectus is sold including the fee to be paid by the issuer to the Ontario Securities Commission for the purchase of securities.

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O.S.C. POLICY #3-02

FINANCING OF MINING COMPANIES

Underwriting and Option Agreements

- (1) No shares shall be issued to net less than 10¢ per share or its equivalent in goods and services to the treasury. Where the issue is not new the Director may exercise his discretion to require a higher minimum price.
- (2) Options on securities will not be permitted unless there is a firm underwriting for a minimum of \$20,000.
- (3) An underwriting shall be payable at least within three business days of the receipt issued for the prospectus.
- (4) Not more than 200,000 shares may be underwritten at the minimum price of 10¢ per share. Not more than 200,000 shares shall be optioned at each of the successive prices. The total number of shares underwritten and optioned in any one agreement shall not exceed one million shares.
- (5) If the shares are underwritten at a price substantially higher than the minimum set out in (1) the Director will consider an application for permission to stipulate terms which differ from (4) if special circumstances exist.
- (6) (a) Where there is an established public market price for the shares consideration will be given to that price in determining whether the underwriting option agreement is acceptable.

(b) The time for exercising the first option shall be not later than three months following the date of the receipt issued for the prospectus and each additional

option must be completed within a further three months providing that options must be exercised within one year of the date of the receipt issued for a prospectus.

- (c) Subject to (b) one extension of an option will be considered under special circumstances at the discretion of the Director.
- (7) There shall be at least a 5 cent spread between each price from 10¢ to 50¢, at least a 10¢ spread between each price from 50¢ to \$1.00, and at least a 25¢ spread between each price thereafter.
- (8) The price at which shares are sold by an underwriter/optionee to a sub-underwriter/optionee shall not be in excess of one cent per share above the price paid by the underwriter/optionee to the company.

"Best Efforts" Financing

Financing on a "best efforts" basis through registrants or by the company as a security issuer is acceptable provided:

- (1) A minimum amount is clearly established which will carry out the objects set out in the prospectus which shall not be less than \$20,000 in any event.
- (2) All of the proceeds are held by a trustee acceptable to the Director, which will usually be a licensed trust company.
- (3) The trustee will not transmit these funds to the company until such time as the minimum required has been reached or, alternatively, where the minimum is not reached within the time specified in the prospectus the trustee will then return the subscriptions to the subscriber without any deductions.

- (4) A "best efforts" offering will not be considered unreasonable normally if it remains open for 90 days provided the Director shall have discretion to shorten the period or, during the term of the offering to extend the period upon such terms and conditions as he may impose.
- (5) The minimum amount required to be provided to the trustee shall take into account not only the amount required to carry out the first phase of the program and, in addition, an amount not exceeding 40% of the gross amount paid by the public to defray commissions, selling and other administrative expenses.
- (6) The agreement with the trustee shall be in writing and a copy of the executed agreement shall accompany the prospectus.

Maximum Offering Prices

TAKE-DOWN PRICE	MAXIMUM OFFERING PRICE WHERE THE TOTAL (INCLUDING OPTIONED SHARES) TO BE RECEIVED FROM THE PUBLIC IS LESS THAN \$100,000	MAXIMUM OFFERING PRICE WHERE THE TOTAL (INCLUDING OPTIONED SHARES) TO BE RECEIVED FROM THE PUBLIC IS \$100,000 AND LESS THAN \$250,000
.10	.20	.15
.15	.30	.25
.20	.40	.30
.25	.50	.35
.30	.60	.45
.35	.65	.50
.40	.75	.60
.45	.80	.65
.50	.85	.70
.60	.95	.75
.70	1.05	.90
.80	1.20	1.00
.90	1.35	1.15
1.00	1.50	1.25
1.10	1.65	1.40
1.20	1.75	1.50

Maximum Offering Prices (continued)

TAKE-DOWN PRICE	MAXIMUM OFFERING PRICE WHERE THE TOTAL (INCLUDING OPTIONED SHARES) TO BE RECEIVED FROM THE PUBLIC IS LESS THAN \$100,000	MAXIMUM OFFERING PRICE WHERE THE TOTAL (INCLUDING OPTIONED SHARES) TO BE RECEIVED FROM THE PUBLIC IS \$100,000 AND LESS THAN \$250,000
1.30	1.90	1.65
1.40	2.00	1.75
1.50	2.15	1.90
1.60	2.25	2.00
1.70	2.40	2.15
1.80	2.50	2.25
1.90	2.65	2.35
2.00	2.75	2.50
2.10	2.85	2.65
2.20	2.95	2.75
2.30	3.05	2.85
2.40	3.15	3.00
2.50	3.25	3.15
2.60	3.35	3.25
2.70	3.45	3.35
2.80	3.55	3.50
2.90	3.65	3.60
3.00	3.75	3.75

Where the total amount (including optioned shares) to be received from the public is \$250,000 and over the maximum markup permitted on each share is 25%.

The first in and first out principle shall apply so that all securities at one price in an underwriting must be sold before securities at the next price can be sold.

This schedule of maximum offering prices shall apply only to mining prospectus.

O.S.C. POLICY #3-03

MINING COMPANIES: VENDOR CONSIDERATION, ESCROW
AGREEMENTS, TRANSFERS AND RELEASES FROM ESCROW

Vendor Consideration

- (1) In a company having a 3,000,000 share capitalization or greater the maximum number of shares permitted to be paid for properties shall not exceed the equivalent of 750,000 shares. If the capital of a company is less than 3,000,000 shares the maximum vendor consideration will be lowered pro rata to the total capitalization. Cash consideration will be taken into account and the number of vendors shares will be reduced on the basis of the minimum underwriting price or the proposed net price to the treasury in the case of a best efforts offering. The reduction in vendors shares will first be deducted from any free vendor share allowance with the balance from the escrowed shares. Additional consideration will be considered on the same basis to compensate the vendor for work done by the vendor on the property which is demonstrated in the engineer's report to be of continuing benefit to the company.
- (2) All vendor shares shall be in escrow.
- (3) The vendor will not be permitted to apply the "cash" consideration against the purchase of "free" treasury shares.

Release of Vendor Shares from Escrow

- (1) In the case of mining companies where there has been no cash consideration 10% of the vendor's share interest shall automatically be released from escrow when the firm underwriting commitment has been paid or, alternatively, when the minimum subscription required in a "best efforts" offering have

been reached, or such lesser amount as may be available giving effect to the reductions provided for in paragraph (1), Vendor Consideration.

- (2) Additional shares will be released from escrow upon the Commission being satisfied that substantial progress has been made in the exploration and development of the property warranting the release of some of the shares remaining in escrow. The releases are normally granted on a pro rata percentage basis with the final release being granted when the company has received sufficient financing to bring the property for which the vendor consideration was given to production
- (3) In order to assist it in reaching a conclusion the Commission will require in the case of (1) a certificate that the minimum financing has been paid to the company. In the case of (2) the Commission will rely upon engineers' reports and the current financial statements of the company in order to determine what progress has been made in the development of the property and the financing generally available to the company.

Transfers Within Escrow

Transfers within escrow will be considered under the following circumstances:

- (a) the transfer is shown to be of benefit to the shareholders generally;
- (b) the transfer is necessary to the settlement of the estate of a deceased holder;
- (c) the transfer effects no change of beneficial ownership; or

- (d) where the proposed transfer represents a number of shares less than 1% of the issued and outstanding shares of the company concerned and the transferor has not made any transfer of escrowed shares within the preceding twelve months.

The applicant for permission to transfer must furnish the Commission with full details of the proposed transfer. If the latter falls within (a) the applicant must also submit evidence giving reasons for the transfer. Consents of all or the majority of the shareholders to the proposed transfer may be required of the applicant in appropriate circumstances.

Escrow Agreements

The escrow agreement must be filed with the Director and be acceptable to him. It shall include the provision that no release or transfer of the shares within escrow shall be permitted without the prior written consent of the Commission. The vendor shall further agree that where the property is abandoned upon the recommendation of an independent mining engineer or geologist he will surrender the remaining escrowed shares to the trustee of the escrow to be held by that trustee for the benefit of the company or, if the laws of the jurisdiction in which the company was incorporated permit, to be surrendered back to the company for cancellation.

Oil and Natural Gas Companies

- (1) In the case of oil and natural gas companies all of the vendor consideration shall be held in escrow.
- (2) 20% of the vendor shares may be released from escrow when an oil and/or natural gas company is fully financed to drill one well (exclusive of the shallow

Lloydminster type) and a drilling contract has been entered into therefor.

- (3) An additional 20% of the vendor shares shall be released from escrow when the first well (exclusive of the shallow Lloydminster type) is completed, and ready for production;
- (4) An additional 30% of the vendor's shares shall be released from escrow when the second well (exclusive of the shallow Lloydminster type) is completed and ready for production;
- (5) The remaining 30% of the vendor's shares shall be released from escrow when the third well (exclusive of the shallow Lloydminster type) is completed and ready for production.
- (6) The Commission will exercise its discretion in the release from escrow of vendor's shares of oil and/or natural gas companies engaged in the drilling of the shallow Lloydminster type wells, which normally will represent one-third of deep wells.
- (7) The releases above are based on 100% ownership and will be reduced pro rata for any lesser interest.

In General

The policies set out above are guidelines only and the Director and the Commission will exercise their discretion to meet special or unusual circumstances. This will be particularly true where the company is engaged in the exploration and development of both mining and oil and natural gas properties. Where the securities of the company are listed the appropriate stock exchange will be consulted.

O.S.C. 3-04

PRELIMINARY PROSPECTUSES AND PROSPECTUSES:
COPIES REQUIRED FOR PROCESSING AND FILING

To facilitate processing of preliminary prospectuses and to ensure that copies are immediately available in the public files the following number of copies will be required:

Preliminary Prospectuses -

All: four copies including a copy signed and certified in accordance with the Act.

Supporting Material -

Two signed copies of all reports and consents required.

Prospectuses -

Industrial, Investment, and Mutual Funds -
Five copies including a copy signed and certified in accordance with the Act.

Mining -

Six copies, including a copy signed and certified in accordance with the Act.

O.S.C. POLICY #3.05

REQUIREMENTS WITH RESPECT TO FINANCIAL DISCLOSURE
IN STATEMENT OF MATERIAL FACTS (REGULATION 49(1)
AND SECTION 58(2))

1. A statement of material facts shall contain the following financial statements:
 1. A statement of profit and loss of the company and, unless the Commission otherwise permits, of all its subsidiaries, year by year for
 - (a) the last three complete financial years or such shorter period as the Commission permits or requires; and
 - (b) any part of a subsequent financial year to the date at which the balance sheet required by item 4 is made up.
 2. A statement of surplus year by year of the company and, unless the Commission otherwise permits, of all its subsidiaries for the financial years and period covered by the statement of profit and loss referred to in item 1.
 3. A statement of cash receipts and disbursements of the company, or a statement of source and application of funds, and unless the Commission otherwise permits of all its subsidiaries for the financial years and period referred to in item 1.
 4. A balance sheet of the company and, unless the Commission otherwise permits, of all its subsidiaries as at a date not more than 90 days prior to the date of the filing of the statement of material facts with the Commission or as at such other date as the Commission may permit or require.

5. A statement of deferred exploration, development and other expenditures of the company, and unless the Commission otherwise permits of all its subsidiaries for the financial years and period referred to in item 1.
2. A statement of cash receipts and disbursements of a statement of source and application of funds shall be included in a statement of material facts, the statements of profit and loss and surplus unless permitted to be omitted from the statement of material facts by the Commission shall also be included.
3. The statements referred to in section 1 shall, unless the Commission otherwise permits, be prepared on a consolidated basis.
4. Every statement of profit and loss, statement of surplus, balance sheet, statement of source and application of funds contained in a statement of material facts shall be approved by the board of directors, which approval shall be evidenced by the signatures at the foot of every balance sheet of two directors duly authorized to signify such approval.
5. It is not necessary to designate the statements referred to herein as the statement of profit and loss, statement of surplus, statement of cash receipts and disbursements, statement of source and application of funds and balance sheet.
6. The Commission may direct that separate financial statements or certain of them with respect to a subsidiary of a company may be included in a statement of material facts, whether or not the financial statements of such subsidiary are consolidated with the financial statements contained in the statement of material facts, and, in such event, these requirements apply mutatis mutandis to such separate financial statements.
7. (1) If any solicitor, auditor, accountant, engineer, appraiser or any other person or company whose

profession gives authority to a statement made by him is named as having prepared or certified any part of a statement of material facts or is named as having prepared or certified a report or valuation used in or in connection with a statement of material facts, the written consent of such person or company to the inclusion of such report or valuation shall be filed with the Commission not later than the time the statement of material facts is filed.

- (2) Subsection 1 does not apply to a report of an auditor or accountant contained in a financial statement filed with the Commission pursuant to section 19.
- (3) The Commission may dispense with the filing of a consent required by subsection 1 if, in its opinion, such filing is impracticable or involves undue hardship.
- (4) The consent of any person or company referred to in subsection 1 shall contain a statement that he has read the statement of material facts and that the information contained therein, which is derived from the report, valuation or financial statements contained in the statement of material facts or which is within his knowledge, is, in his opinion, presented fairly and is not misleading.
- (5) If a person or company referred to in subsection 1 has directly or indirectly received or expects to receive any interest, direct or indirect, in the property of the company or any affiliate, or beneficially owns, directly or indirectly, any securities of the company or any affiliate, such interest or ownership shall be disclosed in the statement of material facts.
- (6) If a person or company referred to in subsection 1 is or is expected to be elected,

appointed or employed as a director, officer or employee of the company or any affiliate, such fact shall be disclosed in the statement of material facts.

- (7) Notwithstanding subsections 4 and 5, the Commission may refuse to accept a statement of material facts if a person or company referred to in subsection 1 is not acceptable to it.
- 8. (1) A statement of profit and loss contained in a statement of material facts shall be drawn up so as to present fairly the results of operations year by year for the years and period covered by the statements and so as to distinguish severally at least,
 - (a) sales or gross operating revenue;
 - (b) the operating profit or loss before including or providing for other items of income or expense that are required to be shown separately;
 - (c) income from investments in subsidiaries whose financial statements are not consolidated with those of the company;
 - (d) income from investments in affiliated companies other than subsidiaries;
 - (e) income from other investments;
 - (f) non-recurring profits and losses of significant amount, including profits or losses on the disposal of capital assets and other items of a special nature, to the extent that they are not shown separately in the statement of earned surplus;
 - (g) provision for depreciation or obsolescence or depletion;

(h) amounts written off for goodwill or amortization of any other intangible assets to the extent that they are not shown separately in the statement of earned surplus;

(i) interest on indebtedness initially incurred for a term of more than one year, including amortization of debt discount or premium and expense;

(j) taxes on income imposed by any taxing authority; and

(k) net profit or loss.

(2) A company may apply to the Commission for an order permitting sales or gross operating revenue referred to in clause a of subsection 1 to be omitted from a statement of profit and loss and the Commission may, on such terms and conditions as it may impose, permit such omission where it is satisfied that in the circumstances the disclosure of such information would be unduly detrimental to the interests of the company.

(3) Notwithstanding subsection 1, items of the nature described in clauses g and h of subsection 1 may be shown by way of note to the statement of profit and loss.

9. (1) A statement of surplus contained in a statement of material facts shall be drawn up so as to present fairly the transaction reflected in the statement year by year for the years and period covered by the statement and shall show separately a statement of contributed surplus and a statement of earned surplus.

(2) A statement of contributed surplus shall be drawn up so as to include and distinguish the following items:

1. The balance of each surplus at the commencement of each year and period covered by the statement.
2. The additions to and deductions from the surplus during each year and period covered by the statement including,

- (a) the amount of surplus arising from the issue of shares or the reorganization of the company's issued capital, including inter alia,
 - (i) the amount of premiums received on the issue of shares at a premium, and
 - (ii) the amount of surplus realized on the purchase for cancellation of shares; and
- (b) donations of cash or other property by shareholders.

- 3. The balance of such surplus at the end of each year and period covered by the statement.

(3) A statement of earned surplus shall be drawn up so as to include and distinguish at least the following items:

- 1. The balance of such surplus at the commencement of each year and period covered by the statement.
- 2. The additions to and deductions from such surplus during each year and period covered by the statement and, without restricting the generality of the foregoing, at least the following:
 - (i) the amount of the net profit or loss.
 - (ii) the amount of dividends declared on each class of shares.
 - (iii) the amount transferred to or from reserves.

3. The balance of each surplus at the end of each year and period covered by the statement.

10. A statement of cash receipts and disbursements contained in a statement of material facts shall be drawn up so as to present fairly the information shown therein year by year for the years and period covered by the statement and shall show separately for each year and period at least,

- (a) cash receipts derived from,
 - (i) issue of securities,
 - (ii) sales of investments,
 - (iii) loans by banks,
 - (iv) loans by others,
 - (v) repayment of loans by company specifying borrowers,
 - (vi) sales of products,
 - (vii) royalties,
 - (viii) rents, and
 - (ix) other items of significant amount,
- (b) total receipts,
- (c) cash disbursements in respect of,
 - (i) loans repaid to banks,
 - (ii) loans repaid to others,
 - (iii) loans by company specifying borrowers,
 - (iv) legal, audit and accounting fees,

- (v) geologists and other engineering fees,
- (vi) commissions and expenses incurred on insurance of securities,
- (vii) purchases of investments,
- (viii) acquisition of mining claims,
- (ix) royalties,
- (x) contract work, specifying nature,
- (xi) purchases of equipment,
- (xii) salaries and wages of directors and senior officers,
- (xiii) other salaries and wages,
- (xiv) materials and supplies,
- (xv) taxes,
- (xvi) dividends, and
- (xvii) other items of significant amount.
- (d) total disbursements,
- (e) net increase or decrease in cash during the years and the period covered by the statement,
- (f) cash on hand and in bank at the beginning of the years and period covered by the statement, and,
- (g) cash on hand and in bank at the end of the years and period covered by the statement.

11. A statement of source and application of funds contained in a statement of material facts shall

be drawn up so as to present the information shown therein year by year for the years and period covered by the statement and shall show separately for each year and period covered at least,

- (a) funds derived from,
 - (i) current operations,
 - (ii) sales of non-current assets, segregating investments, fixed assets and intangible assets,
 - (iii) issue of securities maturing more than one year after issue, and
 - (iv) issue of shares; and
- (b) funds applied to,
 - (i) purchase of non-current assets, segregating investments, fixed assets and intangible assets,
 - (ii) redemption or other retirement of securities or repayment of other indebtedness maturing more than one year after issue,
 - (iii) redemption or other retirement of shares, and,
 - (iv) payment of dividends.

12. (1) A balance sheet contained in a statement of material facts shall be drawn up so as to present fairly the financial position of the company as at the date to which it is made up so as to distinguish severally at least the following:

1. Cash.
2. Debts owing to the company from its directors, officers or shareholders, except debts of reasonable amount arising in the ordinary course of its business that are not overdue having regard to its ordinary terms of credit.

3. Debts owing to the company whether on account of a loan or otherwise, from subsidiaries whose financial statements are not consolidated with those of the company.
4. Debts owing to the company, whether on account of a loan or otherwise, from affiliated companies other than subsidiaries.
5. Other debts owing to the company, segregating those that arose otherwise than in the ordinary course of its business.
6. Inventory, stating the basis of valuation.
7. Shares, bonds, debentures, and other investments owned by the company, except those referred to in items 8 and 9, stating their nature and the basis of their valuation and showing separately those that are marketable, with a notation of their market value.
8. Shares or other securities of subsidiaries whose financial statements are not consolidated with those of the company, stating the basis of valuation.
9. Shares or other securities of affiliated companies other than subsidiaries, stating the basis of valuation.
10. Lands, buildings, plant and equipment, mining and oil and gas properties and claims and interests therein, stating the basis of valuation, whether cost or otherwise, classifying separately depreciable and non-depreciable assets and, if valued on the basis of an appraisal, the date of appraisal, the name of the appraiser, the basis of the appraisal value and if such appraisal took place during the years and period referred to in item 1 of Section 1 the disposition in the accounts of the company

of any amounts added to or deducted from such assets on such appraisal and also the amount or amounts accumulated in respect of depreciation, obsolescence and depletion.

11. There shall be stated under separate headings, in so far as they are not written off,
 - (a) expenditures on account of future business;
 - (b) any expense incurred in connection with any issue of shares;
 - (c) any expense incurred in connection with any issue of other securities, including any discount thereon; and
 - (d) any one or more of the following:
 - (i) goodwill,
 - (ii) franchises,
 - (iii) patents, copyrights.
 - (iv) trade marks and other intangible assets, indicating, unless the Commission otherwise permits, the bases of valuation and the amount, if any, by which the value of any such assets has been written up during the years and period covered by the statement of profit and loss referred to in item 1 of section 1.
12. The aggregate amount of outstanding loans to provide, in accordance with a scheme for the time being in force, money for the purchase by trustees of fully paid shares of the company to be held by or for the benefit of bona fide employees of the company, whether or not they are shareholders or directors, and the aggregate amount of outstanding loans to bona fide employees of the company, other than directors, made

with a view to enabling them to purchase fully paid shares of the company to be held by them by way of beneficial ownership.

13. Bank loans and overdrafts.
14. Debts owing by the company on loans from its directors, officers or shareholders.
15. Debts owing by the company to subsidiaries whose financial statements are not consolidated with those of the company, whether on account of a loan or otherwise.
16. Debts owing by the company to affiliated companies other than subsidiaries whether on account of a loan or otherwise.
17. Other debts owing by the company, segregating those that arose otherwise than in the ordinary course of its business.
18. Liability for taxes, including the estimated liability for taxes in respect of the income of the last period covered by the statement of profit and loss.
19. Dividends declared but not paid.
20. Deferred income.
21. Deferred income tax credits.
22. Securities, other than shares, issued by the company, stating the interest rate, the maturity date, the amount outstanding and the existence of sinking fund, redemption requirements and conversion rights, if any.
23. The authorized capital, giving the number of each class of shares and a brief description of each such class, including the rate of dividends on preference shares and indicating any class of shares that is redeemable and the redemption price thereof.

24. The issued capital giving the number of shares of each class issued and outstanding and the amount received therefor that is attributable to capital, and showing,

(a) where any shares have not been fully paid,

(i) the number of shares in respect of which class have not been made and the aggregate amount that has not been called, and

(ii) the number of shares in respect of which calls have been made and not paid and the aggregate amount that has been called and not paid, and

(b) where any shares have been issued at a discount, the discount shall be shown as a deduction from the par value of the shares.

25. Contributed surplus.

26. Earned surplus.

27. Reserves, showing the amounts added thereto and amounts deducted therefrom for the years and period referred to in item 1 of section 1.

(2) Explanatory information or particulars of any item referred to in subsection (1) may be shown by way of note to the balance sheet.

13. (1) Where the financial statements of a company contained in a statement of material facts are not consolidated with respect to any subsidiary, the financial statements of the company shall include a statement setting forth:

1. The reason that the assets and liabilities and income and expense of

such subsidiary are not included in the financial statements of the company.

2. If there is only one such subsidiary, the amount of the company's proportion of the profit and loss of such subsidiary year by year for the financial years and period coinciding with or ending in the financial years and period of the company referred to in item 1 of section 1 or, if there is more than one subsidiary, the amount of the company's proportion of the aggregate profits less losses, or losses less profits, of all such subsidiaries year by year for the respective financial years and period coinciding with or ending in the financial years and period of the company referred to in item 1 of section 1.
3. The amount included as income from such subsidiary or subsidiaries in the statement of profit and loss of the company year by year for the financial years and period referred to in item 1 of section 1, and the amount included therein as a provision for the loss or losses of such subsidiary or subsidiaries.
4. If there is only one such subsidiary, the amount of the company's proportion of the undistributed profits of such subsidiary, earned since the acquisition of the shares of such subsidiary by the company, to the extent that such amount has not been taken into the accounts of the company, or, if there is more than one such subsidiary, the amount of the company's proportion of the aggregate undistributed profits of all such subsidiaries earned since the acquisition of the shares by the company less its proportion of the losses, if any, suffered by any such subsidiary since the acquisition of its shares to the extent that such amount has not been taken into the accounts of the company.

5. Any qualifications contained in the report of the auditor of any such subsidiary on its financial statements for the financial years and period referred to in item 1 of section 1 and any note or reference contained in such financial statements to call attention to a matter that, apart from the note or reference, would properly have been referred to in such qualification, in so far as the matter that is the subject of the qualification or note is not provided for by the company's own financial statements contained in the statement of material facts and is material from the point of view of its shareholders.

(2) Subsection 1 shall apply, mutatis mutandis, to a company of which the company beneficially owns 50 per cent of the equity shares.

14. In a financial statement contained in a statement of material facts the term "reserve" shall be used to describe only,

- (a) amounts appropriated from earned surplus at the discretion of management for some purpose other than to meet a liability or contingency known or admitted or a commitment made as at the statement date or a decline in value of an asset that has already occurred;
- (b) amounts appropriated from earned surplus pursuant to the instrument of incorporation or a by-law, article or other like instrument or any amendments thereto of the company for some purpose other than to meet a liability or contingency known or admitted or a commitment made as at the statement date or a decline in value of an asset that has already occurred; and
- (c) amounts appropriated from earned surplus in accordance with the terms of a contract

and that can be restored to the earned surplus when the conditions of the contract are fulfilled.

15. (1) Where applicable, the following matters shall be referred to in the financial statements or by way of note thereto:
1. The basis of conversion of amounts from currencies other than the currency in which the financial statements are expressed.
 2. Foreign currency restrictions that affect the assets of the company.
 3. Contractual obligations that will require abnormal expenditures in relation to the company's normal business requirements or financial position or that are likely to involve losses not provided for in the accounts.
 4. Material contractual obligations in respect of long term leases, including in connection therewith, the aggregate amount of rentals incurred as an expense in the last completed financial year, the aggregate of the minimum amounts that will be incurred as rental expense during the five years next succeeding the date of the financial statements and the principal details of any sale and lease transaction entered into during the years and period referred to in item 1 of section 1.
 5. Contingent liabilities, stating their nature and, where practicable, the approximate amounts involved.
 6. Any liability secured otherwise than by operation of law on any asset of the

company, stating the liability so secured.

7. Any default of the company in principal, interest, sinking fund or redemption provisions with respect to any issue of its securities, other than shares, or credit agreements.
8. The gross amount of arrears of dividends on any class of shares and the date to which such dividends were last paid.
9. Where the company is a holding company, the aggregate of any shares in and the aggregate of any securities, other than shares, of such company held by subsidiary companies whose financial statements are not consolidated with that of the holding company.
10. Where a company has contracted to issue shares or has given an option to purchase shares, the class and number of shares affected, the price and the date for issue of the shares or exercise of the option.
11. The number of shares of each class issued during the years and period referred to in item 1 of section 1 for a consideration other than cash, indicating the nature and amount of the consideration.
12. Analyses of shares, bonds, debentures and other investments, referred to in items 7, 8 and 9 of subsection 1 of section 13, showing separately,
 - (i) the name of each issuer of the securities held,
 - (ii) the class of designation of each security held,

- (iii) the number of each class of shares or aggregate face value of each class of other securities held, and,
 - (iv) the cost and market value of each class of securities held and if the carrying value, if any, is other than average cost, the basis of valuation.
13. Give particulars of any change in the information given in answer to item 12 which takes place between the date to which the financial statements are made up and the date of the statement of material facts.
14. Any restriction by the instrument of incorporation or and by-law, article or other like instrument or any amendments thereto of the company or of any subsidiary or by contract on the payment of dividends that is significant in the light of the financial position of the company.
15. Any event or transaction, other than one on the normal course of business operations, between the date to which the financial statements are made up and the date of the statement of material facts that materially affects the financial statements.
16. The amount of any obligation for pension benefits arising from service prior to the date of the balance sheet, whether or not such obligation has been provided for in the accounts of the company, the manner in which the company proposes to satisfy such obligation and the basis on which it has charged or proposes to charge the related costs against operations.

17. Particulars of any change in accounting principle or practice or in the method of applying any accounting principle or practice made during the years and period covered by the financial statement that affect the comparability of any of the years and period covered and the effect, if material.

(2) A note to a financial statement is part of it.

16. Notwithstanding anything herein it is not necessary to state in a financial statement any matter that in all the circumstances is of relative insignificance.
17. Estimates of future earnings shall be identified as such and shall be included in a statement of material facts only with the permission of the Commission.
18. If the financial statements contained in a statement of material facts are not reported upon by the auditor of the company or an accountant acceptable to the Commission, there shall be filed with the Commission the most recent financial statement of the company reported upon by the auditor of the company or an accountant but in any event made up to a date not more than one year and 120 days prior to the date of the filing of the statement of material facts.

O.S.C. POLICY #3-06

EXAMINATION PROGRAM FOR SALESMEN

All persons making application for registration as salesmen are required to enrol in a recognized course before registration will be granted and to complete the course successfully within a reasonable time of enrolment.

The Commission has reviewed the courses of study available and finds The Canadian Securities Course provides an acceptable standard of knowledge for salesmen employed with all types of dealers, while the Canadian Mutual Funds Course provides an acceptable standard of knowledge for those salesmen employed by dealers registered exclusively to sell mutual fund securities.

The following policy and procedure is outlined for the guidance of the industry.

- (1) Before "probationary" registration is granted, if the applicant is suitable for registration in all other regards he will be required to provide proof of enrolment in a recognized course. The Canadian Mutual Funds Course is recognized only where the applicant will be employed by a dealer registered exclusively to sell mutual fund securities. An instruction sheet will be forwarded to the applicant when his application is received.
- (2) Salesmen applying for registration to sell mutual funds exclusively must complete the mutual fund course and pass the final examination within three months of being granted probationary registration.

Salesmen applying for registration to sell securities generally must complete the Canadian Securities Course and pass the final examination within eight months of being granted probationary registration.

Where an applicant is applying for registration as a part-time salesman to sell mutual funds he shall pass the final examination for mutual fund salesmen before the registration will issue.

- (3) The applicant must actively pursue the course of study.
- (4) If the applicant successfully completes his course he will be given full registration to sell either mutual fund securities or securities generally depending on the course of study.
- (5) If the applicant does not pursue the course of study or fails the course, his "probationary" registration will be terminated, unless some special ground for permitting the "probationary" registration to continue can be established by the applicant. This might involve, for instance, some major illness or similar misfortune which made completion of the course impossible. An application for such continuation must be supported by an affirmative report from his employer demonstrating that it has inquired into and is prepared to verify the circumstances surrounding the application for a continuation.
- (6) An applicant who loses his "probationary" registration under the preceding paragraph, may make a subsequent application for full registration providing he has at the time of such subsequent application, successfully completed the appropriate course.
- (7) Applications for full registration may be made by persons who have completed a recognized course prior to applying. Proof thereof should be supplied with the application.

- (8) Applications for exemption from the examination requirements may be made by persons with at least five years' experience in the investment business in a recognized jurisdiction or who has successfully passed a course of similar standards in another jurisdiction. Each application will be considered on its merits but professional status e.g. a lawyer or accountant, will not, by itself, be grounds for an exemption without the collateral experience.
- (9) These requirements are not to be taken as replacing any additional standards or tests which any of the self-regulatory associations may now have or in the future establish, or as a limitation upon such associations establishing any additional standards.
- (10) Additional information may be obtained from the Registration Officer of the Commission.

O.S.C. 3-07

REGISTRATION OF PART-TIME SALESMEN

For the assistance of the dealer registrants the following guidelines are set out. The illustrations given are not necessarily conclusive or exclusive. Each application will be dealt with on its individual merits.

1. The Commission reaffirms its long-standing policy that registration as a salesman requires full-time employment. In reaffirming this policy, the Commission restates its belief that a person selling securities should be willing to devote the time and effort required to place him in the position of being able to properly advise and handle the affairs of his clients.
2. Registration will be considered for students pursuing a part-time business, commercial or financial course.
3. Registration will be considered for post-graduate students pursuing business, commercial or financial courses, who indicate an intention of seeking a career in the securities business.
4. Registration will be considered where the applicant's other occupation is, though productive of occasional income, carried on primarily as a hobby, recreational or cultural activity and does not interfere with his responsibility as a securities salesman.
5. Registration will be considered where the other occupation is seasonal and takes up only six months, or less, of the year for the period not occupied in such other occupation.
6. Registration will be considered for mutual fund salesmen on a part-time basis in remote and sparsely populated areas, where full-time employment is not economically feasible.

O.S.C. POLICY #3-08

REGISTRATION - NON-RESIDENTS

If a dealer is registered in Ontario and is also registered in another Canadian province, an officer of such dealer who does not reside in Ontario but resides in such other province, may be considered for registration in Ontario where special circumstances warrant.

O.S.C. POLICY #3-09

TRANSFERS OF SALESMEN

Frequent transfers by registered salesmen from dealer to dealer are not considered consistent with the best interests of the public. It is obvious that a salesman who transfers frequently can have or gain little knowledge of the business of his employer, nor more importantly, can he establish good client-dealer relations which are regarded as invaluable in the securities field. Therefore, the Commission has decided to examine the suitability for the securities business, of individuals who ask for approval of too frequent transfers.

"Accordingly, upon receipt of a request to transfer a salesman, the Director where said salesman has already transferred twice within the previous twelve-month period will consider the circumstances before approving the transfer request pursuant to subsection 4 of section 6 of The Securities Act, 1966."

O.S.C. POLICY #3-10

DUAL REGISTRATION UNDER THE SECURITIES ACT

The following guidelines are published for the benefit of persons or companies contemplating application for or participation in a second class of registration.

- (1) Individuals registered as salesmen cannot directly hold any other class of registration nor can they act as an officer of a corporate registrant.
- (2) Subject to Commission policy regarding recognition, a person or company may obtain registration as a broker, a broker-dealer, or an investment dealer, or any combination of these three classes. For this purpose affiliated companies will be viewed as the same company.
- (3) Persons or companies registered or permitted to trade as dealers or underwriters, other than as an investment dealer or broker, may not directly or indirectly hold separate registration as either a securities adviser or investment counsel.
- (4) It is the general policy of the Commission that all persons or companies carry on the securities business within the category for which they are registered under their own name whether individual or corporate, unless there is a sound reason why an alias should be used. Companies holding registration as investment dealers, broker-dealers, investment counsel, securities advisers or underwriters may not hold a second registration in the same category. Companies whose directors or principal shareholders are directors or principal shareholders of other registrants of any type and who desire to apply for any type

of registration, must with their application set out in detail the inter-relationships presently existing and proposed with the other companies of persons concerned and must further prove to the satisfaction of the Director the validity of the business reasons why such registration is necessary or desirable.

- (5) Persons or companies registered or permitted to trade as a broker-dealer, investment dealer, investment counsel or securities adviser may not hold separate registration as an underwriter.
- (6) Where an application for registration, other than as a salesman, discloses that any individual is an "associate" of another individual registered, permitted to trade, or who is a principal shareholder of an existing registrant the second registration will not be granted until the Director is satisfied that the "associate" is a principal who will be acting independently of his or her associate. The word "associate" as defined in the Act, includes husband, wife and children living at home.
- (7) The Director has notified all registrants who may be affected. Persons or companies who hold or wish to apply for dual registration are invited to submit the application to the Director setting out the special grounds on which they feel the application should be granted.

O.S.C. POLICY #3-11

DUAL LICENSING: LIFE INSURANCE AGENTS

The Commission publishes hereunder the policy guidelines applicable to registrants under The Securities Act, 1966 and appends for information of such registrants the guidelines published by the Superintendent of Insurance of Ontario applicable to his licencees under The Insurance Act (Ontario). These guidelines are complementary.

DUAL LICENSING: LIFE INSURANCE AGENTS AND
INVESTMENT CONTRACT SALESMEN
AS MUTUAL FUND SALESMEN

The Superintendent of Insurance and the Commission have discussed the potential problems raised as the result of the desire of certain life insurance agents to sell mutual funds and of mutual fund salesmen to sell contracts issued by life insurance companies. The Commission have for some time registered individuals also holding licenses from the Superintendent of Insurance as investment contract salesmen under the Investment Contracts Act.

Mutual fund dealers intending to enter reciprocal arrangements should notify the Director of their intention to do so and obtain his approval in principle to the arrangements being entered into before they are concluded.

The Superintendent of Insurance and the Commission have agreed upon complementary policies with respect to licensing and registration of agents and salesmen. The Superintendent of Insurance is issuing guidelines similar to those set out below as to the conditions under which he is prepared to consider applications for licensing

as life insurance agents by individuals already holding registration as mutual fund salesmen under The Securities Act.

Mutual fund dealers, whose activities are restricted to the sale of mutual funds, may sponsor the application of life insurance agents or investment contract salesmen currently holding a licence or licences from the Superintendent of Insurance for registration as a mutual fund salesman with his organization if the following conditions exist:

- (1) The applicant currently holds a licence from the Superintendent of Insurance to act exclusively as a whole-time life insurance agent of an approved insurer or an investment contract issuer or both, provided that the applicant shall not be a general agent holding a life licence or a corporate licensee.
- (2) Either the mutual fund dealer and the approved insurer or investment contract issuer, or all of them, must be subject to common ownership or control and restricted to offering the securities and contracts issued by the companies controlled by the common parent or they are bound by an exclusive contractual agreement whereby the salesmen or exclusive whole-time life insurance agents of each are permitted to offer the contracts or securities offered by the others and by no other issuers.
- (3) The Director shall satisfy himself that the conditions set out in (2) exist and that the Superintendent of Insurance has approved of the reciprocal contractual agreement.

- (4) The applicant shall have passed the final examination of a securities course recognized by the Commission or be exempted by the Director from this requirement.
- (5) The application for registration must be supported by a written statement from the responsible sales supervisor of the life insurance company or investment contract issuer acknowledging that the company is aware of the fact of the proposed application and setting out the following:
 - (i) the quality of the investment programs written by the applicant, including their experience on plan terminations and redemptions; and
 - (ii) an appraisal as to the qualifications of the applicant to assess and present the investment programs offered by the mutual fund dealer in relation to insurance programs.
- (6) The Director will notify the Superintendent of Insurance forthwith upon granting registration to a life insurance agent or an investment contract salesman.
- (7) A copy of the notice of termination of employment of a dually-licensed registered salesman required to be furnished to the Director by the mutual fund dealer pursuant to section 15(1)(c) of The Securities Act, shall be sent by the mutual fund dealer to the Superintendent of Insurance.

TO ALL LIFE INSURERS LICENSED IN THE PROVINCE
OF ONTARIO

DUAL LICENSING OF LIFE INSURANCE
AGENTS, INVESTMENT CONTRACT SALESMEN
AND MUTUAL FUND SALESMEN

The Superintendent of Insurance and the Ontario Securities Commission have discussed the basis upon which certain life insurance agents of approved life insurers may be registered to sell mutual funds and certain mutual fund salesmen may be licensed to sell insurance contracts issued by their sponsoring life insurance companies. The Commission has registered individuals also holding licenses from the Superintendent of Insurance as investment contract salesmen under The Investment Contracts Act.

Insurers intending to enter into such licensing arrangements should notify the Superintendent's office of their intention to do so and receive approval for the arrangement with a mutual fund dealer.

The Superintendent of Insurance and the Commission have agreed upon complementary policies with respect to licensing and registration of agents and salesmen. The Commission is issuing a policy statement setting forth conditions similar to those set out below under which the Commission is prepared to consider applications for registration as a mutual fund salesman under The Securities Act of individuals who are whole-time licensed life insurance agents of an approved insurer.

Life insurers may sponsor the application of individuals who are currently registered as mutual fund salesmen with the Ontario Securities

Commission for a life agent's license if the following conditions exist:

- (1) The applicant currently is registered with the Ontario Securities Commission as a mutual fund salesman (other than a probationary registrant) and proof of satisfactory life insurance training has been provided by the sponsoring life insurer.
- (2) Either the mutual fund dealer and the approved insurer or investment contract issuer, or all of them, must be subject to common ownership or control and restricted to offering the securities and contract issued by the companies controlled by the common parent, or, if they are bound by an exclusive contractual agreement whereby the salesmen or exclusive whole-time life insurance agents of each are permitted to offer the contracts or securities offered by the others and by no other insurers.
- (3) The Superintendent of Insurance will satisfy himself that the conditions set out in (2) exist and that the Director of the Ontario Securities Commission has approved of the reciprocal contractual agreement.
- (4) The applicant must pass the examination provided by the Superintendent's office based on the Study Manual prepared by the Superintendent's Advisory Committee - Life Agents, or be exempted by the Superintendent from this requirement.
- (5) The application for licensing must be supported by a written statement from the responsible sales supervisor of the mutual fund dealer acknowledging that the dealer

is aware of the fact of the proposed application and setting out the following:

- (i) the quality of the investment programs written by the applicant, including their experience on plan terminations and redemptions; and
 - (ii) an appraisal as to the qualifications of the applicant to assess and present the investment programs offered by the mutual fund dealer in relation to insurance programs.
- (6) The Superintendent will notify the Director forthwith upon the licensing of a mutual fund salesman.
- (7) A copy of the notice of termination of employment of a dually-licensed registered salesman required to be furnished to the Superintendent by the insurer pursuant to section 315(6) of The Insurance Act, shall be sent by the life insurer to the Director of the Ontario Securities Commission.

In addition, the life insurer shall file with the Superintendent copies of all training manuals and programs, rate books, proposal forms, and directions to its dually-licensed agents-registrants, together with a draft of the proposed contractual agreement, if any, prior to its final execution.

O.S.C. POLICY #3-12

PREPARATION OF INSIDER TRADING REPORTS

The following suggestions may be of some assistance to those submitting Insider Trading Reports to the Commission.

- (a) The Commission staff are not permitted to correct, delete, or add to a report. ALL paragraphs should be completed.
- (b) The answers must be consistent with the information given in previous reports.
- (c) Two signed copies must be filed.
- (d) The Commission staff request that ALL reports filed are either printed or typewritten.
- (e) Where a report shows directly held securities being disposed of in such a manner that the holdings become "indirect", or vice versa, it is essential that both sides of the transaction are reported, e.g., if Mr. Jones wishes to transfer 100 directly owned shares in Company "A" to a wholly owned subsidiary named Company "B", as an indirect holding, it should be shown both as a sale by Mr. Jones and as a purchase by Company "B" under Item 6. We suggest that Item #8 be utilized to draw attention to these circumstances.
- (f) Paragraph 7 of Form 15 should always be completed; it will show a consolidation of ALL the securities held.
- (g) "Stock splits" constitute a change in their holdings and new acquisitions should be reported "in numbers of shares."

- (h) Where attachments are used to record detailed transactions these should be totalled and the totals carried forward to paragraph 6 on the Form 15.
- (i) When reporting indirect holdings always refer to the companies involved by full name; one should not use such identification as Company "A", etc.

O.S.C. POLICY #3-13

INITIAL INSIDER TRADING REPORTS -
THE FILING OF "NIL" REPORTS

Section 109(2) of The Securities Act, 1966, reads as follows:

"A person or company that becomes an insider of a corporation shall, within ten days after the end of the month in which he becomes an insider, file with the Commission a report as of the day on which he became an insider of his direct or indirect beneficial ownership of or control or direction over capital securities of the corporation."

Heretofore the Commission has not required the filing of initial reports where the insider owned no securities of the corporation of which he is an insider. This had lead to certain anomalies.

Take Notice that effective September 1st, 1970, the Commission will be insisting on persons becoming insiders filing a report as to their holdings or lack of holdings as the case may be.

O.S.C. POLICY #3-14

DELINQUENCY IN FILING UNDER PART XII, SECURITIES ACT, 1966

Companies which have issued shares to the public through a prospectus or whose shares have been listed and posted for trading since The Securities Act, 1966 came into force on May 1, 1967, have been subject to the continuing disclosure requirements of the Act, including the annual and semi-annual financial statements required under Part XII. These documents must be filed with the Commission within the times specified so they may be placed in the public files and become open for inspection at the Commission offices.

The Commission has a surveillance program under which notice is given to delinquent companies. Prompt compliance with the requirements is essential in this system of investor protection. Warning is given that these requirements will be enforced more vigorously and that the officers and directors responsible for the failure to comply may be called upon to answer for any delinquency as well as the company itself.

O.S.C. POLICY #3-15

APPLICATIONS FOR ORDER FOR OMISSION OF SALES
OR GROSS OPERATING REVENUE - CANADA CORPORATIONS -
SECTION 121(3) THE SECURITIES ACT, 1966

The Canada Corporations Act (sec.117(1)), The Business Corporations Act, 1970 (sec. 173(3)) and the Ontario Securities Act (sec. 121(3)) all contain provisions whereby companies may be allowed to omit sales or gross operating revenues from financial statements, which would otherwise require their inclusion, if such disclosure would be detrimental to the interests of the company ("unduly detrimental" in the latter two Acts). The Canada Corporations Act provides for an ex parte application by the company to a judge of the Supreme Court of Ontario; The Business Corporations Act, 1970 provides for an application to the Ontario Securities Commission. The Securities Act, which governs Canada and extra-provincial companies listed on The Toronto Stock Exchange, provides for such an order to be made by the Ontario Securities Commission. This involves two applications in the case of Canada Corporations listed on The Toronto Stock Exchange.

In the interests of uniformity of practice and of convenience to the profession, the Ontario Securities Commission suggests that if an application is to be made to the Supreme Court of Ontario under The Canada Corporations Act the solicitors for the applicant might give notice of such application to the Ontario Securities Commission. If this were to be done and an exemption order granted by the Court the Ontario Securities Commission would be prepared to issue an order in similar terms without any further hearing.

O.S.C. POLICY #3-16

GROUND'S FOR EXEMPTIONS, NON-ONTARIO COMPANIES
- PARTS X, XI AND XII

Non-Ontario corporations are permitted to make applications to the Commission for exemptions from the proxy solicitations, the insider provisions and the financial disclosure requirements by virtue of Sections 103, 116 and 131 respectively.

On such applications, the general approach of the Commission will be as follows:

- (1) In all cases where the laws of the incorporating jurisdiction require the furnishing of identical information, the furnishing to the Ontario Securities Commission of an executed copy of that information as required by the incorporating jurisdiction, will normally be accepted in lieu of the Ontario form.
- (2) A copy of the substituted material as filed with the incorporating jurisdiction must be filed within the time specified by the Ontario Act.

O.S.C. POLICY #3-17

RECOGNITION OF TORONTO STOCK EXCHANGE

In accordance with the various requirements of The Securities Act, 1966, as amended the Commission has recognized The Toronto Stock Exchange.

O.S.C. POLICY #3-18

SECTION 59 APPLICATIONS

GENERAL

Where securities are being offered during the course of a primary distribution to the public and no exemption from qualification is available they must first be qualified for sale through the acceptance of a prospectus or statement of material facts. Where doubt exists as to whether a proposed or intended trade would be in the course of primary distribution to the public an application may be made to the Commission for a ruling under section 59(1). Where it can be argued that the proposed transaction would not be prejudicial to the public interest the ruling may be founded on section 59(1a) even though made pursuant to section 59(1).

All too frequently applications for a ruling do not pinpoint the doubt nor do they give reasons why, if doubt exists, the Commission should rule favourably on the application. In such cases the Commission is forced to draw its own inferences as to the doubt and might be in danger of making a determination on a doubt quite unrelated to the applicant's problem. The result is unnecessary delays.

Applications not specifying the nature of the doubt and argument related thereto will be returned to applicants for clarification.

Where the securities are listed on The Toronto Stock Exchange applications will be expedited if they are presented to the Exchange first.

GUIDELINES FOR SECTION 59(1a) APPLICATIONS

The general guidelines to be followed in all applications will be found in Commission Policy

Number 3-19 APPLICATIONS TO THE COMMISSION RE
RULINGS - PROCEDURE RE:.

Where the application relates to the sale of securities from holdings of a person or group sufficiently large to materially affect control the following should be included:

1. The name and address of the selling shareholder, the number of shares owned by him and his associates and affiliates; the number to be offered for his account and the number to be owned by him after the offering.
2. A copy of the last filing statement, if any, on file with the Exchange within the previous year, together with a copy of all material given to the shareholders by the company within the previous year.
3. The particulars of any information to the selling shareholder, the chief executive officer and chief financial officer of the company whose shares are proposed to be distributed that indicate any adverse material change in the financial position or prospectus of the company since the date of the last interim or annual financial statement of the company on file with the Commission.
4. If any shares of the class proposed to be distributed were acquired by the selling shareholder within a year preceding the date of the application, give the average cost of such shares to the selling shareholder.
5. Particulars of any transfer of shares which, to the knowledge of the selling shareholder, the chief executive officer, or the chief financial officer of the company, has materially affected the control of the company since the last meeting of shareholders, or alternatively, a statement that no such particulars are known.

6. Whether in the opinion of the selling shareholder the proposed distribution of shares will materially affect control of the company.
7. The reason why the selling shareholder wishes to effect a distribution of the shares of the company.
8. The method of distribution if the shares are unlisted.
9. Any other material facts which will assist the Commission.

SECURITIES NOT PREVIOUSLY DISTRIBUTED TO THE PUBLIC
Section 1(1)16(i)

- (1) Where an applicant company proposes issuing securities in consideration for property or services, to satisfy a debt or for some other purpose and the Commission rules that the issuance of such securities would not constitute primary distribution "to the public", since these securities will not have been previously distributed to the public in order that the recipient might be aware as to the restrictions on resale the order will note that any sale or disposition of such shares will constitute primary distribution to the public.
- (2) Providing the application is not made by a person or a member of a group whose holdings are large enough to materially affect control, the Commission will favourably consider an application concerning all of such previously distributed securities where,
 - (a) sufficient time has elapsed to permit the company to file three consecutive annual or semi-annual financial statements with the Commission in which the specific securities are included on the liability side and the corresponding change shown on the asset side of the company's balance sheet; and

- (b) there have been no material adverse changes in the company's affairs during this period.

(3) Providing the application is not made by a person, company or a member of a group whose holdings are a sufficient number to materially affect control and where the circumstances set out (2) do not exist, the Commission may favourably consider an application relating to the previously distributed securities as follows:

- (a) Where the securities are listed and posted for trading on The Toronto Stock Exchange and the number of securities which are the subject of the application together with securities of the same class which have been the subject of a similar application during the preceding six months do not represent more than 1% of all of the securities issued of that class; or
- (b) In the case of a company which has been subject to the requirements of Parts X, XI and XII of The Securities Act, 1966, or the equivalent requirements of the Ontario Corporations Act or The Business Corporations Act, 1970, for at least one year prior to the application, where the securities which are the subject of the application together with securities of the same class which have been the subject of a similar application during the preceding six months do not represent more than one-half of 1% of all of the securities issued of that class.

APPLICATION FOUNDED ON SECTION 59(1a)

These applications normally arise where the applicant is the holder of a substantial number of

securities subject to a restriction through a Commission ruling or is a person, company or a member of a group whose holdings are a sufficient number to materially affect control. The applicant under Section 59(1a)(a) must satisfy the Commission that the number of securities is not substantial in amount in relation to the holdings of the offeror or proposed offeror. The Commission will normally be satisfied where:

(1) The issuer is subject to the reporting requirements of The Securities Act, 1966, or the equivalent requirements of the Ontario Corporations Act or The Business Corporations Act, 1970, and is up-to-date in their filings with the Commission;

(2) Where there are no material changes in the affairs of the issuer known to the applicant which have not been the subject of adequate public disclosure;

(3) Where there have been no acts in furtherance of the proposed trade by the applicant or anyone on his behalf;

(4) (a) Where the numbers of securities proposed to be sold constitute 1% or less of the holdings of the applicant and no similar application has been made during the preceding six months; or

(b) Where the number of securities exceeds 1% of the applicant's holding but the proposed sale, together with the other sales made by the applicant within the preceding two years constitutes 10% or less of the applicant's holdings;

(5) Where the securities are listed and posted for trading on the Toronto Stock Exchange the Commission will require that they be sold through the facilities of that Exchange and subject to such restrictions as the Exchange may impose.

O. S. C. POLICY #3.19

APPLICATIONS TO THE COMMISSION RE RULINGS -
PROCEDURE RE:

(1) Types of Application

These procedures apply to all applications made to the Commission for rulings, orders or decisions under sections 20, 56, 59, 103, 116, 121(3) and 131 of The Securities Act, 1966 and section 62(2) of Ontario Regulations 101/67 as amended and the equivalent provisions of The Ontario Corporations Act as amended from time to time.

(2) Applications: Where filed

All applications should be filed with the Secretary to the Commission, 8th floor, 555 Yonge Street, Toronto 284.

(3) Filing Fee

The application shall be accompanied by a filing fee of \$10.00 payable to the Treasurer of Ontario for each order or ruling sought.
(See para. 5D)

(4) Number of Copies

Five copies of the application and any supporting material should be filed except where the Commission has assigned its powers to the Director, pursuant to section 4 of The Securities Act, 1966, which it has done relative to the granting of the exemptions provided for in sections 103(2), 116(1), 121(3) and 131(1) and also as to those exemptions provided for under the corresponding sections of The Ontario Corporations Act or The Business Corporations Act, 1970, in all of which cases two copies are required.

(5) Contents of the Application

Each application should be divided into two or more parts, the first of which should set out certain general or background information, with the second and subsequent parts dealing with the actual applications. The application should include the following information:

A. The Issuer

- (i) The name of the company or issuer;
- (ii) Place of incorporation;
- (iii) Authorized and issued capital, including debt obligations;
- (iv) Date of last prospectus or statement of material fact;
- (v) Whether listed on T.S.E. or other Exchange and, if so, date of last filing statement;
- (vi) Is the issuer up-to-date as to all filings required to be made under The Securities Act, The Corporations Act, The Corporations Information Act or similar legislation? If the answer is "no" give full explanation.

B. Specific Application

- (i) The specific order or decision sought including:
 - (a) an itemized list of those documents which the applicant asks to be excused from filing and which are required under The Ontario Securities Act and regulations.

- (b) The application will have attached as exhibits the documents the applicant proposes to file in lieu of (a) above.
- (c) State the frequency it is proposed to file the exhibits included in (b) and the time limits within which the documents will be filed with the O.S.C.
- (ii) Name of the party making application (if the orders requested are in favour of other persons, their consents to the application must be attached);
- (iii) The facts and law upon which the request is based;
- (iv) Any circumstances affecting the request e.g., conditions imposed by other regulatory bodies the position and relationship existing between any of the parties which directly or indirectly indicates that the transaction might not be considered completely arm's length (the approval of or comments by the T.S.E. should be attached where appropriate);
- (v) Conclusions and recommendations.

C. Supporting Documents

- (i) These should accompany and be marked as schedules or exhibits to the application itself;
- (ii) References in the application may be made to the exhibits by exhibit and page number but such references should be a supplement to and not in lieu of the summary of facts in the application itself.

D. Additional Applications

- (i) Where more than one order or ruling is sought in one application each specific order or ruling or group of orders and rulings should be made the subject of a separate part as in B above. (See also para. 3).
- (ii) Cross-reference to similar facts, circumstances and submissions may be made in subsequent parts providing for certainty, the references are identical by page and paragraph number or in some similar fashion.

(6) Signatures or Supporting Declarations

Each application should be signed by the party making the application certifying as to the truth of the facts contained in it. Alternatively, when the application is made by an agent, it should be supported by an affidavit made by the applicant verifying the facts contained in the application.

(7) Setting Down for Hearing

The Commission normally sits to consider applications on Thursday of each week. At least 7 days must normally elapse from the time the material is completed and is in the hands of the Secretary before it can be placed on the list for consideration by the Commission. This is to enable the Commission staff to review the application and make its recommendations to the Commission. Applications to shorten this time will only be granted under extraordinary circumstances.

(8) Attendance at Hearing

If, on the basis of the documentary material the Commission is prepared to grant the order or filing requested, the attendance of the applicant will not be required. If there is some question about the application or the absence of material the applicant will be invited to rectify the deficiency. In no event will an application be refused without the applicant being afforded the opportunity of being heard.

O.S.C. POLICY #3-20

APPEALS TO COMMISSION BY WAY OF HEARING
AND REVIEW PROCEDURE RE:

(1) Notices: Where Filed

All notices filed pursuant to section 28 of subsection 3 of section 3 by or on behalf of a person primarily affected by a direction, decision, order or ruling of the Director or a Commissioner may be sent by registered mail or filed with the Secretary to the Commission, 8th Floor, 555 Yonge Street, Toronto 284. The Secretary has been designated by the Director to receive notices under section 28 on his behalf.

(2) Filing Fee

Each notice must be accompanied by a filing fee of \$10.00 payable to the Treasurer of Ontario.

(3) Form of Notice

The notice need not be a formal document so long as it indicates with certainty the decision appealed from and the interest of the party giving the notice in the decision appealed from.

(4) Transcript of Proceedings

The person or company requesting the hearing and review shall forthwith order and arrange to deliver to the Commission at his or its cost two copies of the transcript of the proceedings which the appellant wishes reviewed by the Commission.

(5) Stay of Proceedings

No application will be considered to stay either the Director's or a Commissioner's decision until proof is filed with the

Secretary that the transcripts of the proceedings have been ordered or alternatively, where it is coupled with an application for an order dispensing with the transcript.

(6) Order Dispensing with Transcript

A party desiring a hearing and review for reasons which are not based on the evidence taken before the Director or the Commissioner may apply to the Commission for an order dispensing with the necessity of providing transcripts.

(7) Setting Down for Hearing

The appeal will be set down as soon as is possible after the transcripts are received or the order dispensing with transcripts is made.

(8) Statement of Points to be Argued:
Additional Evidence

While the review of the evidence in no way prevents the introduction of new or additional relevant evidence by any party to the hearing and review before the Commission, where possible a statement of the points to be argued or of fact and law should be filed with the Commission at least forty-eight hours before the date fixed for the hearing and review. Such a statement should be in five copies.





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